

Message Text

SECRET

PAGE 01 MANAGU 04849 172017Z

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AMEMBASSY SAN JOSE PRIORITY

AMEMBASSY SAN SALVADOR PRIORITY

AMEMBASSY TEGUCIGALPA PRIORITY

S E C R E T MANAGUA 4849

E. O. 11652: GDS

TAGS: PFOR, NU

SUBJECT: PRESIDENT SOMOZA DISCUSSES HIS VISIT TO THE MEETING
OF THE CENTRAL AMERICAN PRESIDENTS IN CARACAS

1. PRESIDENT SOMOZA DISCUSSED AT LENGTH WITH ME TODAY HIS VISIT
ALONG WITH OTHER CENTRAL AMERICAN PRESIDENTS AND GENERAL TORRIJOS
TO THE MEETING IN VENEZUELA HOSTED BY VENEZUELAN PRESIDENT CARLOS
ANDRES PEREZ. AS BACKGROUND INFORMATION SOMOZA SAID THAT
PRESIDENT PEREZ WAS ESPECIALLY CORDIAL TO HIM AND EMPHASIZED
HIS DESIRE TO PUT ASIDE "ONCE AND FOR ALL" ANY DIFFERENCES WHICH MAY
HAVE EXISTED IN THE PAST BETWEEN HIM (PEREZ) AND THE SOMOZAS.
PEREZ EMPHASIZED HIS DESIRE, ACCORDING TO SOMOZA, TO ESTABLISH
AND MAINTAIN THE MOST CORDIAL RELATIONS WITH THE COUNTRIES OF
CENTRAL AMERICA, INCLUDING PANAMA. PEREZ TOLD SOMOZA DURING
THE COURSE OF VARIOUS CONVERSATIONS, THAT HE WAS FULLY AWARE OF
THE "SUPREMACY" OF THE U.S. DOLLAR AND THAT BY REQUESTING THAT THE
LOANS BEING MADE TO CENTRAL AMERICA BE REPAID IN BOLIVARS, HE
WAS NOT ATTEMPTING IN ANY WAY TO ESTABLISH THE BOLIVAR AS A "CO-
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SECRET

PAGE 02 MANAGU 04849 172017Z

EQUAL CURRENCY" TO THE DOLLAR. PEREZ DID EMPHASIZE, HOWEVER, THE

IMPORTANCE TO VENEZUELA OF MAINTAINING THE HIGHEST VIABLE PRICE FOR PETROLEUM AND SPOKE FAVORABLY OF THE "ECHEVERRIA PLAN" WHICH WOULD FORM A LATIN AMERICAN BLOC "TO DEFEND THE PRICE OF ESSENTIAL RAW MATERIALSZZM PEREZ ALSO SAID DURING THE COURSE OF CONVERSATIONS WITH SOMOZA THAT HE (PEREZ) WAS ATTEMPTING TO PERSUADE GENERAL RODRIGUEZ OF ECUADOR TO SUPPORT THE EFFORTS OF CENTRAL AMERICAN COUNTRIES TO TAX BANANA EXPORTS. THUS FAR, APPARENTLY, PRERZ WAS NOT ABLE TO REPORT ANY SUCCESS IN THIS ENDEAVOR.

FYI: (PEREZ ALSO TOLD SOMOZA THAT THE UNITED STATES WAS ATTEMPTING TO DISCOURAGE ECUADOR'S POSITION IN OPEC BY LIMITING ITS PURCHASE OF ECUADORAN OIL, AND THAT IF NECESSARY IN ORDER TO SUPPORT ECUADOR'S OPEC POSITION VENEZUELA WOULD PURCHASE ECUADORAN OIL AT GUARANTEED PRICES.) END FYI.

2. SOMOZA SAID THAT DURING THE COURSE OF HIS TALKS WITH PEREZ, PEREZ ADKED HIM "WHEN ARE YOU GOING TO MAKE SOME ATTACKS ON THE UNITED STATES?", AND ADVISED SOMOZA THAT HE "SHOULD THROW A FEW ROCKS AT THE UNITED STATES". SOMOZA SAID THAT HE TOLD PEREZ THAT HE DID NOT INTEND TO EVER BEGIN MAKING ANY PUBLIC STATEMENTS AGAINST THE UNITED STATES, NOR DID HE INTEND TO "THROW ANY ROCKS". SOMOZA SAID THAT HE TOLD PEREZ THAT HE DID NOT BELIEVE THAT THIS WAS THE WAY TO CONDUCT RELATIONS WITH ANOTHER COUNTRY, THAT IF HE HAD ANY NEGATIVE THINGS TO SAY TO THE UNITED STATES HE WOULD SAY THEM PRIVATELY TO UNITED STATES OFFICIALS AND NOT PUBLICLY, AND THAT HE BELIEVED THAT THIS WAS THE WISEST COURSE FOR EVERY COUNTRY TO PURSUE. SOMOZA SAYS THAT HE FURTHER TOLD PEREZ THAT IT WOULD BE VERY UNREALISTIC FOR HIM TO "THROW ROCKS AT THE UNITED STATES" WHEN THE UNITED STATES WAS THE ONLY COUNTRY WHICH WAS GIVING HIM SUBSTANTIAL ASSISTANCE IN THE RE-UILDING OF HIS CAPITAL CITY.

3. THE SUBSTANCE MATTERS WHICH WERE DISCUSSED AT THE MEETINGS INCLUDED: (1) AN AGREEMENT REGARDING THE RETENTION OF COFFEE, WHICH WAS ACCORDING TO SOMOZA, COURCHED IN TERMS WHICH MADE IT POSSIBLE FOR NICARAGUA TO ACCEPT THE RETENTION PLAN - OR NOT TO ACCEPT - AS IT SAW FIT. SOMOZA STATED THAT AT THE PRESENT TIME HE DOES NOT CONTEMPLATE THE RETENTION OF NICARAGUAN COFFEE. (2) A BI-LATERAL LOAN OF APPROXIMATELY \$15 MILLION WAS DISCUSSED WITH HONDURAS, WITH HONDURAS MAKING REPAYMENT OVER A PERIOD OF YEARS IN BEANS TO VENEZUELA. (3) THE ESTABLISHMENT OF A FUND REBATED FROM THE COST OF PETROLEUM

SECRET

SECRET

PAGE 03 MANAGU 04849 172017Z

FOR THE USE IN DEVELOPMENT PROJECTS. UNDER THIS PLAN, WHICH WAS APPROVED AND AGREED TO, VENEZUELA WOULD ACCEPT \$6 AS THE BASE PRICE FOR PETROLEUM BASED ON THE CURRENT POSTED PRICE OF SLIGHTLY OVER \$11 PER BARREL. IF THE POSTED PRICE GOES UP, \$6 REMAINS THE BASE PRICE. IF THE POSTED PRICE GOES DOWN, THE BASE PRICE WOULD BE LOWERED PROPORTIONATELY. THE DIFFERENCE BETWEEN THE POSTED PRICE AND THE BASE PRICE WOULD BE DEPOSITED IN THE CENTRAL BANKS OF EACH INDIVIDUAL COUNTRY AT THE RATE OF 100 PCT. IN 1975, 80 PCT. IN 1976, AND

20 PCT. LESS IN EACH YEAR THEREAFTER, UNTIL IT BECAME ZERO IN 1980. THESE FUNDS WHICH WOULD BE REPAYABLE IN BOLIVARS WOULD BEAR AN INTEREST RATE "NOT HIGHER THAN THE CURRENT EXISTING RAE OF IDB", AND COULD BE USED FOR A PRIOD OF UP TO 15 YEARS IF INVESTED IN PROJECTS, "APPROVED BY RECOGNIZED INTERNATIONAL ORGANIZATIONS, AGENCIES OR REPUTABLE BUSINESSES." SOMOZA ESTIMATES THAT THIS WILL CREATE A FUND IN 1975 IN NICARAGUA OF \$17 MILLION AND THAT OVER A 5 YEAR PERIOD IT WILL CREAT A FUND OF APPROXIMATELY \$60 MILLION ASSUMING THE CURRENT USE OF PETROLEUM AT THE CURRENT PRICE.

4. SOMOZA EXPRESSED HIS BELIEF THAT THE MEETING IN VENEZUELA WAS HIGHLY USEFUL, AND HE IS OBVIOUSLY VERY PLEASED WITH THE RESULTS. SOMOZA SAYS THAT IT IS PERFECTLY OBVIOUS THAT PEREZ IS ATTEMPTING TO ESTABLISH A BROAD BASE OF POLITICAL SUPPORT FOR VENEZUELA, BUT HE TENDS TO BELIEVE THAT PEREZ FACED WITH THE RESPONSIBILITY OF THE VENEZUELAN PRESIDENCY IS TENDING TO BECOME SOMEWHAT MORE CONSERVATIVE AND CAUTIOUS.
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